

**WATERVLiet DISTRICT LIBRARY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005**

JAN 04 2006

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LOCAL AUDIT & FINANCE DIV.Michigan Department of Treasury  
496 (2-04)**Auditing Procedures Report**

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Watervliet District Library</b>	County <b>Berrien</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>12/6/05</b>	Date Accountant Report Submitted to State: <b>12/31/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

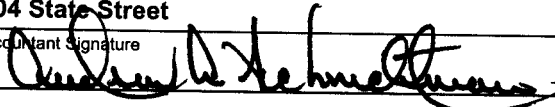
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Andrew A. Schmidtman</b>			
Street Address <b>404 State Street</b>		City <b>St. Joseph</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49085</b>	Date <b>12-20-05</b>

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## INDEPENDENT AUDITOR'S REPORT

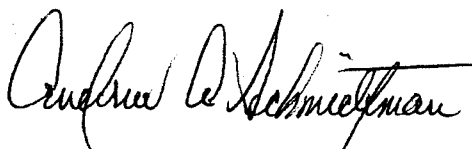
To the Library Board  
Watervliet District Library  
Watervliet, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Watervliet District Library, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Library's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Watervliet District Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Watervliet District Library, Michigan as of June 30, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Library management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



ANDREW A. SCHMIDTMAN  
December 6, 2005

## **WATERVLIET DISTRICT LIBRARY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Watervliet District Library is a district library located in Watervliet, Michigan. The Management's Discussion and Analysis is intended to provide an overview analysis of the financial position and operating results of the Library.

The Library's basic financial statements include government-wide financial statements, fund financial statements, and notes to financial statements.

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Library's annual report includes two government-wide financial statements. The statement of net assets and the statement of activities. These statements are full accrual basis statements. They report all of the Library's assets and liabilities, both short-term and long-term, and they report all current year revenues and expenses regardless of when cash is received or paid.

#### **FUND FINANCIAL STATEMENTS**

The fund level financial statements are reported on a modified accrual basis. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the year end.

#### **NOTES TO FINANCIAL STATEMENTS**

The notes to financial statements provide additional detail information related to the information contained in the financial statements.

**WATERVLIET DISTRICT LIBRARY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CONDENSED FINANCIAL INFORMATION**

The following provides financial information in a condensed format using the full accrual basis of accounting.

	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>
<b>Assets:</b>		
Current assets	\$141 187	\$146 890
Capital assets	<u>229 723</u>	<u>219 339</u>
Total assets	<u>370 910</u>	<u>366 229</u>
<b>Liabilities:</b>		
Current liabilities	161	1 046
Long-term liabilities	<u>--</u>	<u>--</u>
Total liabilities	<u>161</u>	<u>1 046</u>
<b>Net Assets:</b>		
Investment in capital assets	229 723	219 339
Unrestricted	<u>141 026</u>	<u>145 844</u>
Total net assets	<u>\$370 749</u>	<u>\$365 183</u>
<b>Revenues:</b>		
Property taxes	\$ 55 413	\$ 56 849
Penal fines	52 371	61 490
Other	<u>16 330</u>	<u>13 903</u>
Total revenues	124 114	132 242
<b>Expenses</b>	<u>118 548</u>	<u>114 854</u>
<b>Change in Net Assets</b>	<u>\$ 5 566</u>	<u>\$ 17 388</u>

**WATERVLIET DISTRICT LIBRARY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL INFORMATION**

The Library's net assets increased by \$5,566 during the year. The primary sources of revenues are property taxes and penal fines. The main expenses are wages, utilities, repairs and maintenance, and depreciation. Wages are approximately 47% of total expenses. The penal fines revenue decreased 14% from the prior year amount.

**THE LIBRARY'S FUNDS**

An analysis of the Library's major funds is included in the balance sheet and statement of revenues, expenditures, and changes in fund balance. These statements provide information on current inflows, outflows, and balances of spendable resources. The fund balance of the general fund decreased by \$4,818 for the year ended June 30, 2005.

**LIBRARY'S BUDGETARY HIGHLIGHTS**

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The amendments included increases in professional fees, utilities, cooperative fees, and capital outlays.

**CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

At the end of the fiscal year, the Library had \$661,345 invested in land, building, furniture and fixtures, equipment, books, magazines, and audio-video items. The Library purchased \$18,721 of equipment and furnishings and \$18,494 of books, magazines, and audio-video materials during the year. The Library does not have any long-term debt.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Library's finances. Questions concerning the information provided in this report should be directed to the Library's management, Watervliet District Library, 333 South Main Street, Watervliet, MI 49098-9562.

**WATERVLIET DISTRICT LIBRARY**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

	<u>Governmental Activities</u>
<b>CURRENT ASSETS:</b>	
Cash	\$137 418
Receivable -- state aid	2 277
Prepaid expenses	<u>1 492</u>
<b>TOTAL CURRENT ASSETS</b>	<u>141 187</u>
<b>NON CURRENT ASSETS:</b>	
<b>Capital assets:</b>	
Land	27 800
Building	111 200
Furniture, fixtures, and equipment	211 965
Library collection	<u>310 380</u>
	661 345
Less: accumulated depreciation	<u>431 622</u>
<b>TOTAL NON CURRENT ASSETS</b>	<u>229 723</u>
<b>TOTAL ASSETS</b>	<u>\$370 910</u>
	<u>LIABILITIES</u>
<b>CURRENT LIABILITIES:</b>	
Accrued wages	\$ <u>161</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>\$ 161</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	\$229 723
Unrestricted	<u>141 026</u>
<b>TOTAL NET ASSETS</b>	<u>\$370 749</u>

See accompanying notes to financial statements.



**WATERVLiet DISTRICT LIBRARY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2005**

**PROGRAM EXPENSES:**

**Recreation and cultural:**

<b>Wages</b>	<b>\$ 55 388</b>
<b>Payroll taxes</b>	<b>4 320</b>
<b>Office supplies</b>	<b>1 093</b>
<b>Repairs and maintenance</b>	<b>4 861</b>
<b>Utilities</b>	<b>10 964</b>
<b>Professional</b>	<b>4 000</b>
<b>Insurance</b>	<b>2 616</b>
<b>Janitorial</b>	<b>2 625</b>
<b>Cooperative fees</b>	<b>1 524</b>
<b>Miscellaneous</b>	<b>4 326</b>
<b>Depreciation</b>	<b><u>26 831</u></b>

**TOTAL PROGRAM EXPENSES** **118 548**

**PROGRAM REVENUES:**

<b>Charges for services</b>	<b>5 680</b>
<b>Operating grants and contributions</b>	<b><u>8 163</u></b>

**TOTAL PROGRAM REVENUES** **13 843**

**NET PROGRAM EXPENSES** **(104 705)**

**GENERAL REVENUES:**

<b>Property taxes</b>	<b>55 413</b>
<b>Penal fines</b>	<b>52 371</b>
<b>Interest income</b>	<b><u>2 487</u></b>

**TOTAL GENERAL REVENUES** **110 271**

**CHANGE IN NET ASSETS** **5 566**

**NET ASSETS -- beginning of year** **365 183**

**NET ASSETS -- end of year** **\$370 749**

**See accompanying notes to financial statements.**

**WATERVLIET DISTRICT LIBRARY**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

	<b>General Fund</b>
<b><u>ASSETS</u></b>	
<b>CURRENT ASSETS:</b>	
Cash	<b>\$137 418</b>
Receivable -- state aid	<b>2 277</b>
Prepaid expenses	<b><u>1 492</u></b>
<b>TOTAL CURRENT ASSETS</b>	<b><u>141 187</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$141 187</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
<b>CURRENT LIABILITIES:</b>	
Accrued wages	<b><u>\$ 161</u></b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>161</b>
<b>FUND BALANCES:</b>	
Unreserved	<b><u>141 026</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$141 187</u></b>

**See accompanying notes to financial statements.**

**WATERVLiet DISTRICT LIBRARY  
RECONCILIATION OF TOTAL GOVERNMENT  
FUND BALANCES TO NET ASSETS OF  
GOVERNMENT ACTIVITIES  
JUNE 30, 2005**

<b>Total government fund balances</b>	<b>\$141 026</b>
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**Amounts reported for governmental activities  
in statement of net assets are different  
because:**

<b>Capital assets are not financial resources and are not reported in the funds</b>	<b><u>229 723</u></b>
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<b>Total net assets</b>	<b><u>\$370 749</u></b>
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**See accompanying notes to financial statements.**

**WATERVLIET DISTRICT LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	General Fund	
<b>REVENUES:</b>		
Contributions from local units	\$ 55 413	
State grants and aids	4 788	
Fines and forfeits	53 617	
Interest	2 487	
Other	<u>7 809</u>	
<b>TOTAL REVENUES</b>		<b>\$124 114</b>
<b>EXPENDITURES:</b>		
Recreational and cultural:		
Wages	55 388	
Payroll taxes	4 320	
Office supplies	1 093	
Repairs and maintenance	4 861	
Utilities	10 964	
Professional	4 000	
Insurance	2 616	
Janitorial	2 625	
Cooperative fees	1 524	
Miscellaneous	4 326	
Capital outlay	<u>37 215</u>	
<b>TOTAL EXPENDITURES</b>		<b><u>128 932</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		<b>(4 818)</b>
<b>FUND BALANCE, beginning of year</b>		<b><u>145 844</u></b>
<b>FUND BALANCE, end of year</b>		<b><u>\$141 026</u></b>

See accompanying notes to financial statements.

**WATERVLiet DISTRICT LIBRARY**

**RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2005**

**Net change in governmental fund balances** **\$ (4 818)**

**Amounts reported for governmental activities  
in the Statement of Activities are different  
because:**

**Governmental funds report capital outlays  
as expenditures, but they are recorded  
as capital assets in the government-wide  
statements and depreciated over their  
useful lives:**

**Capital outlay** **37 215**

**Depreciation** **(26 831)**

**Changes in net assets of governmental activities** **\$ 5 566**

**See accompanying notes to financial statements.**

**WATERVLIET DISTRICT LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE -**  
**GENERAL FUND, BUDGET (CASH BASIS)**  
**AND ACTUAL**

**YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance (Unfavorable) Favorable</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Contributions from local units	\$ 50 161	\$ 50 161	\$ 55 413	\$ 5 252
State grants and aid	4 550	4 550	4 788	238
Fines and forfeits	53 500	53 500	53 617	117
Interest	3 500	3 500	2 487	(1 013)
Other	<u>4 350</u>	<u>4 350</u>	<u>7 809</u>	<u>3 459</u>
<b>TOTAL REVENUES</b>	<u>116 061</u>	<u>116 061</u>	<u>124 114</u>	<u>8 053</u>
<b>EXPENDITURES:</b>				
Recreational and cultural:				
Wages	61 200	61 200	56 273	4 927
Payroll taxes	6 000	6 000	4 320	1 680
Office supplies	1 800	1 800	1 093	707
Repairs and maintenance	7 500	7 093	4 861	2 232
Utilities	10 600	10 982	10 984	18
Professional	1 775	4 000	4 000	--
Insurance	3 600	3 600	2 693	907
Janitorial	2 600	2 600	2 625	(25)
Cooperative fees	1 500	1 525	1 524	1
Miscellaneous	5 500	4 518	4 326	192
Capital outlay	<u>22 000</u>	<u>22 982</u>	<u>37 215</u>	<u>(14 233)</u>
<b>TOTAL EXPENDITURES</b>	<u>124 075</u>	<u>126 300</u>	<u>129 894</u>	<u>(3 594)</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(8 014)</b>	<b>(10 239)</b>	<b>(5 780)</b>	<b>4 459</b>
<b>FUND BALANCE, beginning of year</b>	<u>145 844</u>	<u>145 844</u>	<u>145 844</u>	<u>--</u>
<b>FUND BALANCE, end of year</b>	<u>\$137 830</u>	<u>\$135 605</u>	<u>\$140 064</u>	<u>\$ 4 459</u>

See accompanying notes to financial statements.

**WATERVLIET DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Watervliet District Library is a district library and provides library services to its patrons. The financial statements of the Library are prepared in accordance with accounting principles generally accepted in the United States of America. The Library applies all relevant Governmental Accounting Standards Board pronouncements.

**SCOPE OF REPORTING ENTITY**

The Library is governed by a Board of Trustees and daily activities are managed by the librarian. The accompanying financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting unit. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENTS**

The Library's basic financial statements include both governmental-wide financial statements and governmental fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the Standards of the Governmental Accounting Standards Board.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

**WATERVLIET DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**GENERAL FUND** – The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library.

**RECEIVABLES** – Receivables are recognized for significant amounts owed to the Library.

**PREPAID EXPENSES** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

**CAPITAL ASSETS** – Capital assets with an estimated useful life in excess of one year are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend useful lives are expensed.

Building, furniture, fixtures and equipment, and library collection are depreciated using the straight-line method over the following useful lives:

Building	50 years
Furniture, fixtures, and equipment	5 – 10 years
Library collection	10 years

**ESTIMATES** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**NOTE 2 – BUDGET DATA**

An operating budget is developed prior to the beginning of the fiscal year. The budget is submitted to the Library Board for approval. Amendments to the budget are allowed with the approval of the Library Board.

The budget was prepared on a cash basis. The actual amounts in the budgetary comparison are presented using the cash basis.



**WATERVLIET DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 2 – BUDGET DATA (CONTINUED):**

The following adjustments reconcile the total expenditures on the budgetary comparison to the total expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance:

Total expenditures – budgetary comparison	\$ 129 894
Less: Increase in prepaid expense – insurance	(77)
Less: Decrease in accrued wages	<u>(885)</u>
Total expenditures – Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 128 932</u>

**NOTE 3 – DEPOSITS**

Michigan Compiled Laws authorizes local government units to make deposits and invest in accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. All of the Library's deposits are held at one federally insured bank with offices in Michigan. The Library's deposits are in accordance with statutory authority.

The carrying amount of the Library's deposits was \$137,273 and the bank balance was \$141,397 at June 30, 2005. The Library had F.D.I.C. insured balances of \$112,133 and uninsured balances of \$29,264 at June 30, 2005.

The Library's cash balances at year end consist of the following amounts:

Imprest cash	\$ 145
Checking account	8 009
Savings account	80 980
Certificates of deposit	<u>48 284</u>
	<u>\$137 418</u>

**WATERLIET DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 4 – CAPITAL ASSETS**

Capital assets activities for the year ended June 30, 2005 were as follows:

	Balance 7-1-04 (Restated)	Additions	Deletions	Balance 6-30-05
Land	\$ 27 800	\$    --	\$    --	\$ 27 800
Building	111 200	--	--	111 200
Furniture, fixtures and equipment	193 244	18 721	--	211 965
Library collection	<u>298 340</u>	<u>18 494</u>	<u>6 454</u>	<u>310 380</u>
Subtotal	602 784	37 215	6 454	633 545
Less: Accumulated depreciation	<u>411 245</u>	<u>26 831</u>	<u>6 454</u>	<u>431 622</u>
Net Capital assets being depreciated	<u>191 539</u>	<u>10 384</u>	<u>    --</u>	<u>201 923</u>
Net capital assets	<u>\$219 339</u>	<u>\$ 10 384</u>	<u>\$    --</u>	<u>\$229 723</u>

Depreciation expense was \$26,831 for the year ended June 30, 2005.

**NOTE 5 – RISK MANAGEMENT**

The Library is exposed to various risks of loss including property loss, torts, theft, and employee injuries (workers compensation). The Library has purchased commercial insurance for these risks. Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

The Library purchases insurance coverage from the insurance agency owned by a Board member. The amount of premiums paid in 2005 were \$2,693.